

Office of the Legislative Auditor

State of Montana



Report to the Legislature

February 1993

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1992

Office of the Commissioner of Political Practices

This report contains two recommendations for compliance with state law and policy. The recommendations relate to improving:

- Cash deposits.
- Property identification.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

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STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLET
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

February 1993

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Commissioner of Political Practices for the two fiscal years ending June 30, 1992. Included in this report are recommendations concerning compliance with state law and policy regarding timely deposits of receipts and identification of the office fixed assets. The office's response is located at the end of the report.

We thank the Commissioner and her staff for their assistance and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", with a stylized flourish at the end.

Scott A. Seacat
Legislative Auditor

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Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1992

Office of the Commissioner of Political Practices

Members of the audit staff involved in this audit were Wayne Kedish and Charles Nemec.

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Appointed Official

**Commissioner of
Political Practices**

Term
Expires

Dolores Colburg, Commissioner

12/31/92

Summary of Recommendations

This listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the office deposit
cash collections in a timely manner
as required by state law. 3

Office Response: Concur. See page B-4.

Recommendation #2

We recommend the office attach
property tags to equipment as
required by state policy. 4

Office Response: Concur. See page B-4.

Introduction

We performed a financial-compliance audit of the Office of the Commissioner of Political Practices (office) for the two fiscal years ended June 30, 1992. The objectives of the audit were to:

1. Determine if the office complied with applicable laws and regulations.
2. Make recommendations for the improvement in the management and internal controls of the office.
3. Determine if the office's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1992.
4. Determine the status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing recommendations contained in this report.

Background

The office was created by the 1975 Legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the senate. A four-member selection committee comprised of the Speaker of the House, the President of the Senate, and the minority floor leaders of both houses of the legislature submit a list to the governor of two to five names of individuals for consideration.

The primary duties of the commissioner include:

1. Monitoring disclosures of financial contributions to and expenditures of Montana political committees and candidates.
2. Registering lobbyists and monitoring lobbying activities and financial disclosure.
3. Investigating all alleged violations of the state's campaign financing and practice laws and lobbying disclosure laws.

The office was authorized 3.5 and 3 full-time employees for fiscal years 1991-92 and 1990-91, respectively.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 1990. The report contained two recommendations concerning preparing annual reports to the governor and legislature and recording the office's budget and budget modifications on the Statewide Budgeting and Accounting System. The office implemented both recommendations.

Findings and Recommendations

Cash Controls

During our audit we noted the office did not deposit cash collections at least weekly as required by state law.

Timely Deposits

Section 17-6-105(6), MCA, requires state agencies to deposit receipts daily when coin and currency exceeds \$100, total receipts exceed \$500, or at least weekly if the other conditions are not met. During our review of cash deposits, we noted 17 occasions when deposits were made for periods greater than one week and one deposit which accumulated a month's receipts. The deposits consist of receipts from lobbyist registration fees, document sales, and photocopy charges.

Office personnel indicated they were unfamiliar with deposit requirements. Personnel stated the time taken to prepare deposits for small dollar amounts often does not seem to be efficient.

While the office seldom accumulates cash or checks which exceed the \$100 or \$500 dollar limits, the office should adhere to the weekly schedule as required by state law. Timely deposits are required to safeguard cash against theft and provide timely investment of funds. The office should establish an effective procedure to ensure cash is deposited in a timely manner in accordance with state policy.

Recommendation #1

We recommend the office deposit cash collections in a timely manner as required by state law.

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The auditor's opinion issued in this report is intended to convey to the reader of the financial schedules the degree of reliance that can be placed on the amounts presented.

The unqualified opinion on the Schedule of Changes in Fund Balances, the Schedule of Budgeted Revenue & Transfers In - Estimate & Actual, and the Schedule of Budgeted Program Expenditures by Object & Fund - Budget & Actual for the two fiscal years ended June 30, 1992, means the reader of the financial schedules may rely on the fairness of the information presented.



STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit

JAMES GILLETT
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Commissioner of Political Practices (office) for each of the two fiscal years ended June 30, 1991 and 1992, as shown on pages A-4 through A-8. The information contained in these financial schedules is the responsibility of the commissioner. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the office for the two years ended June 30, 1991 and 1992, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

December 4, 1992

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	<u>General Fund</u>
FUND BALANCE: July 1, 1990	\$ <u>0</u>
ADDITIONS	
<u>Fiscal Year 1990-91</u>	
Budgeted Revenue & Transfers In	1,059
Nonbudgeted Revenue & Transfers In	7,867
Support From State of Montana	108,035
 <u>Fiscal Year 1991-92</u>	
Budgeted Revenue & Transfers In	3,027
Support From State of Montana	<u>130,862</u>
Total Additions	<u>250,850</u>
REDUCTIONS	
<u>Fiscal Year 1990-91</u>	
Budgeted Expenditures & Transfers Out	113,433
Nonbudgeted Expenditures & Transfers Out	3,528
 <u>Fiscal Year 1991-92</u>	
Budgeted Expenditures & Transfers Out	<u>133,889</u>
Total Reductions	<u>250,850</u>
FUND BALANCE: June 30, 1992	\$ <u>0</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

COMMISSIONER OF POLITICAL PRACTICE
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	<u>Licenses and Permits</u>	<u>Charges For Services</u>	<u>Total</u>
<u>Fiscal Year 1991-92</u>			
GENERAL FUND			
Estimated Revenue	\$160	\$ 2,000	\$ 2,160
Actual Revenue	<u>180</u>	<u>2,847</u>	<u>3,027</u>
Collections Over (Under) Estimate	<u>\$ 20</u>	<u>\$ 847</u>	<u>\$ 867</u>
<u>Fiscal Year 1990-91</u>			
GENERAL FUND			
Estimated Revenue		\$ 5,170	\$ 5,170
Actual Revenue		<u>1,059</u>	<u>1,059</u>
Collections Over (Under) Estimate		<u>\$(4,111)</u>	<u>\$(4,111)</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND
BUDGET & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1992

	<u>Administration</u>	
	<u>1991-92</u>	<u>1990-91</u>
PERSONAL SERVICES		
Salaries	\$ 76,516	\$ 68,923
Employee Benefits	<u>17,493</u>	<u>15,886</u>
Total	<u>94,009</u>	<u>84,809</u>
OPERATING EXPENSES		
Other Services	22,756	14,536
Supplies & Materials	2,225	764
Communications	6,268	3,633
Travel	1,425	1,885
Rent	3,674	4,983
Repair & Maintenance	1,057	967
Other Expenses	<u>768</u>	<u>670</u>
Total	<u>38,173</u>	<u>27,438</u>
EQUIPMENT AND INTANGIBLE		
Equipment	<u>531</u>	<u>242</u>
Total	<u>531</u>	<u>242</u>
DEBT SERVICE		
Leases	<u>1,176</u>	<u>944</u>
Total	<u>1,176</u>	<u>944</u>
TOTAL PROGRAM EXPENDITURES	<u>\$133,889</u>	<u>\$113,433</u>
GENERAL FUND		
Budgeted	\$158,077	\$114,139
Actual	<u>133,889</u>	<u>113,433</u>
Unspent Budget Authority	<u>\$ 24,188</u>	<u>\$ 706</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1992

1. **Summary of Significant Accounting Policies**

Basis of Accounting

The Office of the Commissioner of Political Practices uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the office records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the office incurs the related liability and it is measurable.

Expenditures and expenses may include entire budgeted service contracts even though the office received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

State accounting policy also requires the office to record the cost of employees' annual leave and sick leave when used or paid.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The office uses the following fund:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

- **2. Annual and Sick Leave**

Employees at the office accumulate both annual and sick leave. The office pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. The office absorbs expenditures for termination pay in its annual operational costs. At June 30, 1992, the office had a liability of \$6,227.
- **3. Pension Plan**

Employees are covered by the Montana Public Employees' Retirement System (PERS). The office's contribution to PERS was \$4,425 in fiscal year 1990-91 and \$4,830 in fiscal year 1991-92.
- **4. General Fund Balance**

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within its appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.
- **5. Nonbudgeted Revenue**

The office had nonbudgeted revenue of \$7,867 and a nonbudgeted General Fund expenditure in fiscal year 1990-91. Revenue in the amount of \$4,340 results from lobbyist permits issued as required by section 5-7-103, MCA. Revenue and expenditure in the amount of \$3,527 results from the recording of a photocopier lease-purchase on the state's Property Accountability Management System.

Office Response

COMMISSIONER OF
POLITICAL PRACTICES

JAN - 5 1993



STATE OF MONTANA

DOLORES COLBURG
COMMISSIONER
TELEPHONE (406) 444-2942
FAX (406) 444-1643

CAPITOL STATION
1205 EIGHTH AVENUE
HELENA, MONTANA 59620-2401

December 31, 1992

Charles Nemec
Staff Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Mr. Nemec:

Enclosed is my response to the draft report of the audit that was conducted of this office for the two fiscal years ending June 30, 1992. I trust that it is in the format you wish for the final report.

Also, as you requested, I return herewith the draft copy of the audit that you provided to me on December 24, 1992.

Sincerely,

Dolores Colburg
DOLORES COLBURG

Enclosures

Response of the Commissioner of Political Practices to the recommendations in the financial-compliance audit of the office for the two fiscal years ending June 30, 1992.

Recommendation #1

We recommend the office deposit cash collections in a timely manner as required by state law.

Concur in the recommendation. Cash collections will be made on a weekly basis to meet the requirements of state law that cash collections be deposited in a timely manner. Staff have been instructed to deposit cash collections weekly and, if a large amount of cash is collected prior to the scheduled weekly deposit, an additional deposit will be made to ensure that large amounts of cash do not remain in the office overnight.

Recommendation #2

We recommend the office attach property tags to equipment as required by state policy.

Concur in the recommendation. Property tags have been affixed to all equipment in the office as required by state policy.

